



S&P Pivot Points, Gann Angles & Wave Analysis

KnovaWave

Volume 3, Issue 33

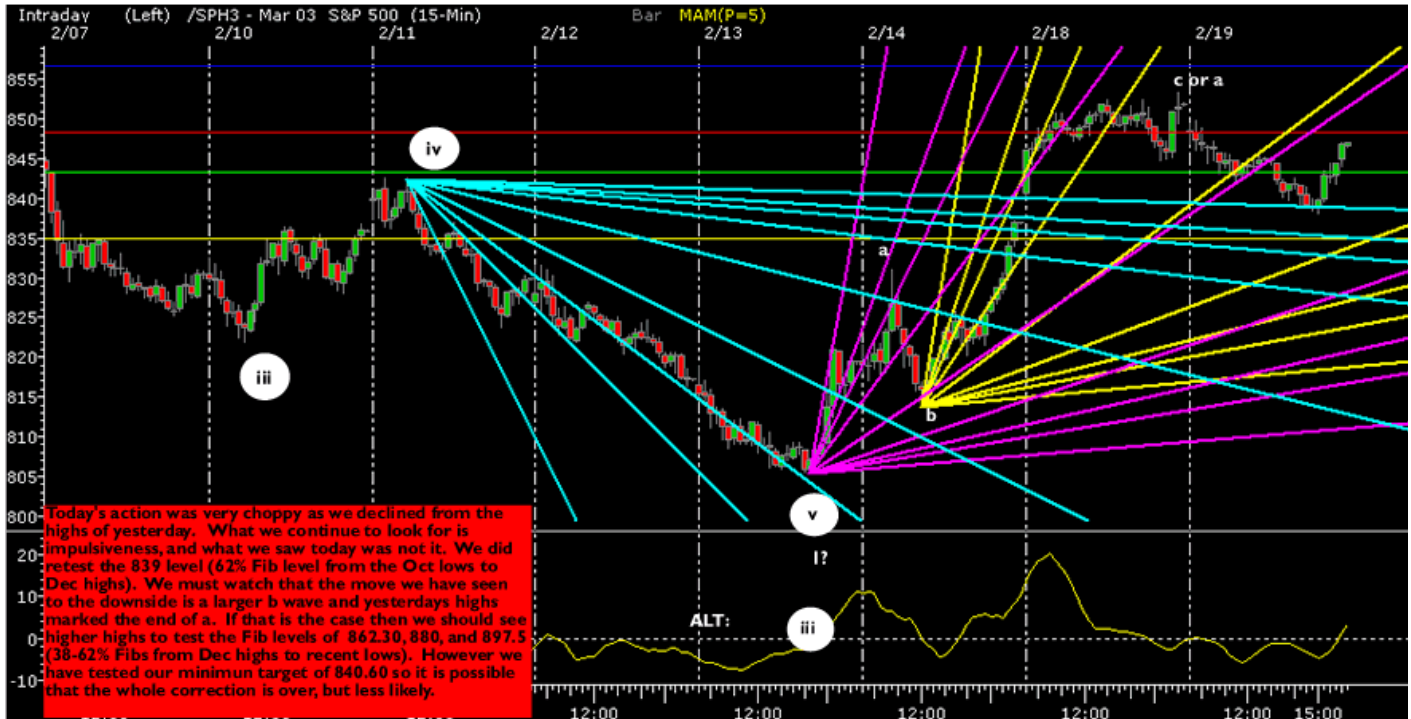
February 19, 2003

Summary of Wednesday February 19, 2003



Outlook for Feb. 20, 2003

	S&P	OEX	Nasdaq	Dow	SOX
Previous					
High	849.80	431.48	1,016.00	8,043.11	294.08
Low	838.00	425.13	994.00	7,935.27	285.08
Close	847.00	428.80	1,010.00	8,000.60	288.99
R3	861.60	437.83	1,038.00	8,150.95	303.08
R2	856.73	434.82	1,028.67	8,100.83	298.38
R1	851.87	431.81	1,019.33	8,050.72	293.69
Pivot	844.93	428.47	1,006.67	7,992.99	289.38
S1	840.07	425.46	997.33	7,942.88	284.69
S2	833.13	422.12	984.67	7,885.15	280.38
S3	828.27	419.11	975.33	7,835.04	275.69



30 Minute Rule

Do not trade gaps at the Open, in the direction of the prior day's trend. If the market gained the day before, and gaps up, you should avoid that situation for at least 30 minutes to give the pent-up demand time to bleed off. Otherwise, you can easily get caught in a fading market. Conversely, fading markets offer excellent Short candidate potential. Again why we use the S&P's here the Dow never actually gaps (it takes a while to get all the symbols open) so is not fully representative at the open.

After 35 Minute Rules

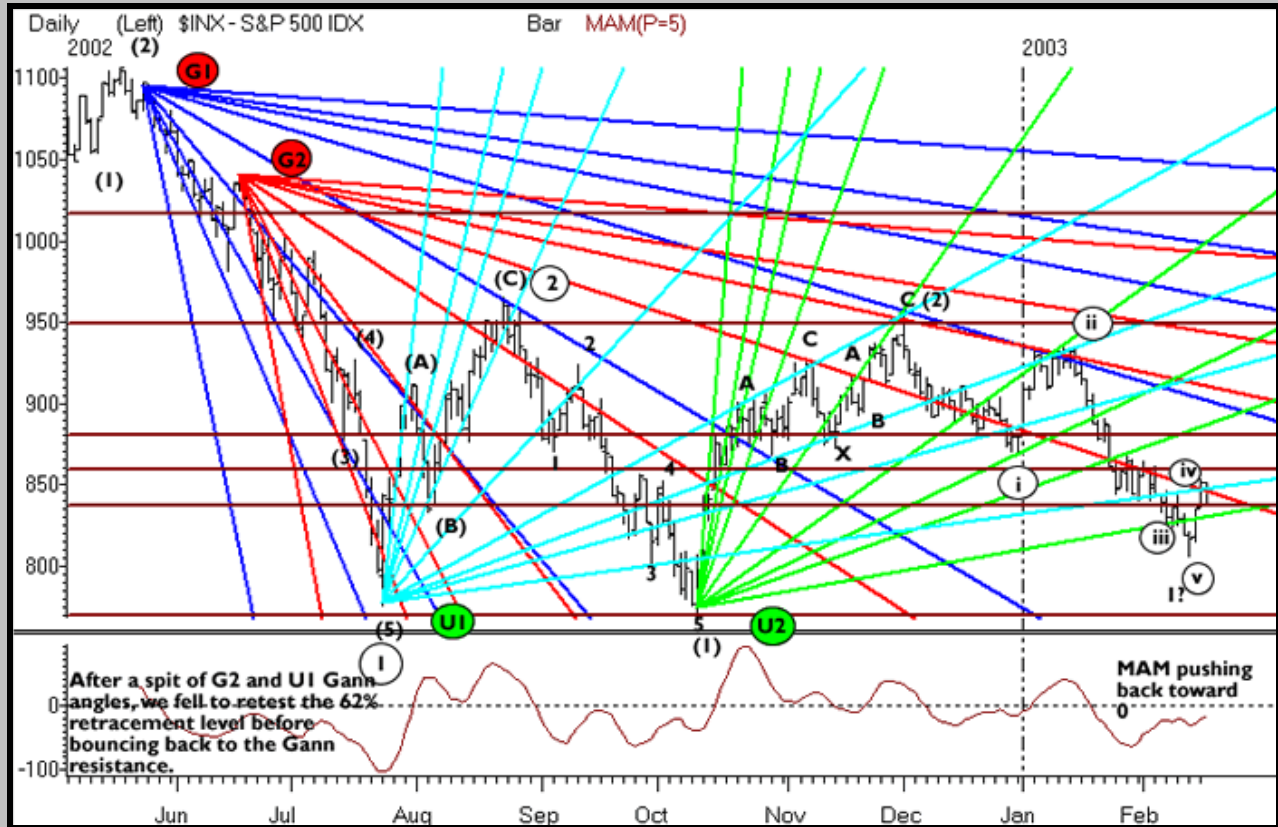
- ◆ If, after 35 minutes, we are above the 844.90 pivot, then it should serve as support for buying bounces (and if we break it, it becomes resistance). Buying multiple contracts, we would take partial profits in the 4.00 range and liquidate the balance if we trade up to resistance at 851.90 or 856.70 or on our 3.20 initial stop-loss or our 4.20-trailing stop.
- ◆ If, after 35 minutes, we are below the 844.90 pivot, I would suggest selling bounces off of it with multiple contracts exiting partially at the 4.00 target and exiting the balance at a downside target of 840.10 and then 833.10 or on our 3.20 initial stop-loss or our 4.20-trailing stop. (If we rally through the pivot, it becomes support)

Remember that, by traditional definition, when support is broken significantly, it turns into resistance.

When resistance is broken significantly, it becomes support



S&P 500 Longer Term Gann and Elliott Wave Outlook





S&P 500 Fibonacci Retracement targets

Symbol	Retrace	24%	38%	50%	62%	79%
SPZ2	BOUNCE	863.43	922.78	970.75	1018.70	1087.00
HIGH	T 24%	767.50	826.85	874.82	922.78	991.08
	A 38%	708.15	767.50	815.47	863.43	931.73
1174	R 50%	660.18	719.53	767.50	815.47	883.76
	G 62%	612.22	671.57	719.53	767.50	835.79
LOW	E 79%	543.92	603.27	651.24	699.21	767.50
	T 100%	456.93	516.28	564.25	612.22	680.51
767.50						

Retracement levels of March
Highs Down (1174-767.50)

Symbol	Retrace	24%	38%	50%	62%	79%
SPZ2	BOUNCE	910.60	883.25	861.15	839.05	807.58
LOW	T 24%	954.80	927.45	905.35	883.25	851.78
	A 38%	982.15	954.80	932.70	910.60	879.13
767.50	R 50%	1004.20	976.90	954.80	932.70	901.23
	G 62%	1026.30	999.00	976.90	954.80	923.33
HIGH	E 79%	1057.80	1030.50	1008.40	986.27	954.80
	T 100%	1097.90	1070.60	1048.40	1026.30	994.88
954.80						

Retracement levels of Wave (2)?
Up (954.80-767.50)

Symbol	Retrace	24%	38%	50%	62%	79%
SPH3	BOUNCE	840.58	862.41	880.05	897.69	922.81
HIGH	T 24%	805.30	827.13	844.77	862.41	887.52
	A 38%	783.47	805.30	822.94	840.58	865.70
954.80	R 50%	765.83	787.66	805.30	822.94	848.06
	G 62%	748.19	770.02	787.66	805.30	830.42
LOW	E 79%	723.08	744.90	762.54	780.18	805.30
	T 100%	691.08	712.91	730.55	748.19	773.31
805.30						

Retracement levels of minutte
Wave I (954.80-805.30)

An overview

In building a plan Fibonacci no doubt is in there somewhere, it makes up only a small part of the whole equation of market geometry but a quintessential part. Analyzing Fibonacci relationships between price movements is very important for several reasons. First you can control your wave analysis. The better the Fibonacci ratios of your wave count, the more accurate your count is, because in some way or the other, all waves are related to each other. Secondly you can project realistic targets once you have defined the wave count correctly or you have distinguished different scenarios, which point in the same direction.

The wave counts of the impulsive and corrective patterns (5 + 3 = 8 total) are Fibonacci numbers, and breaking down wave patterns into their respective sub waves produces Fibonacci numbers indefinitely. For whatever the underlying cause, whether it is natural laws of the market or a self-fulfilled prophecy as some may conclude, using these ratios can help you find market turns.

The most popular ratios to use are .618 and 1.618. The key geometric ratios would be the following (.147) (.236) (.382) (.618) (.786) (1.00) (1.272) (1.618). These are just some of the related ratios of Market Geometry. We know 1.618 is called the Golden Mean and it appears in the growth patterns of plants, the human body, seashells and many other things found in nature. Even the planets follow a pattern based on the Golden Mean. For example, for every time the earth orbits the sun, Venus orbits the sun 1.618 times. The relationship between Venus and the Earth is 1.618:1.00.

- (.618) is the reciprocal of 1.618
- (1.272) is the square root of 1.618
- (.786) is the square root of (.618)
- (.382) is (.618) squared

So now you can see how they are all related!



Where we are

Elliott Wave

It is fair to say that yesterday's high might have marked the top of the countertrend A-B-C rally but the decline to today's low and break of 840 was not very impulsively. Also it spat that low as it wasn't confirmed by the DJIA. This leaves a strong possibility that the Correction wave may be of higher degree with the Dow's resistance is 8150-8250 and the S&P's is 860-875. I must stress this is a countertrend rally and we are coming into a Fibonacci turn window which opened today and goes through to Monday. The sentiment picture is mixed, the 10-day Daily Sentiment index of traders, which remains at a relatively low 13% bulls (MBH Commodity Advisors) - this no doubt skewed because of the war and expectations that the market will rally from there—so it may well reflect the way the question is asked. Also the CBOE put/call 10-day average is still at .98.—again we have to be wary of Friday's option expiration affecting this.

However the VIX still shows no signs of fear as you would expect at a major bottom as its recent closing high of 39.77 on Jan. 27 way less than the previous major lows. Furthermore the S&P futures have now closed at a premium to cash for four straight days—this depicts an optimistic market place and increasingly in a sideways low volume chop fest. As such we await the completion of The second wave which actually already be in place—stay disciplined and you will be on the impulses waves.

Key Support targets

845.70 2/07 highs
839.10 61.2% of 757.50-954
826.50 Fib Confluence
822.00 Key Low
816.30 Previous Low
812.40 Break up point
807.60 78.8% of 757.50-954

Key Resistance targets

853.40 18/2 High
857.50 Wave a high
859.80 Thursday's high & Wave iii 38%
863.90 Wave (ii) High?
866.70 50% Wave (I)
873 Inflexion Point I/II low & near low
875.50 Fractal 38%

Patterns

2 min Rising Wedge
15 min Wedge
Daily Double Zig Zag
Weekly Head & Shoulders

Gann Speed Lines

2 min U1 Primary G1 Secondary
15 min G2 Primary G1 Secondary
Daily G3 Primary G1 Secondary
Weekly G1 Primary G2 Secondary

Keys to watch

The US Dollar **The Euro is leading—watch it!**
US-Iraq relations **The game continues—**
Gold **\$350—will it hold watch!**
SOX 270–300 band **Can 270 hold? NVLS 29 to 31 watch**
Venezuela—Who is on strike next?
VIX and Put/call ratio for equities
10 Year Treasuries **Watch 4.00% yield**
Oil **Watch for 35 fulcrum**
World Terror **sadly.**
30 Year Treasuries **Watch Yield curve**

The S&P Pit—who to watch

Paper

Downside for SPU's—**Merrill's**, Bear, Bank One, FIMAT **Selling**
Upside for SPU's—Merrill's, Morgan's, Smith Barney, **Goldman Buying**

Locals

Locals are trading very methodically off Pivots watching cash—OEX when no paper.

Dominators

Goldman has picked up in the past month, been a big seller with Morgan, Bear & Merrill—Merrill's firmly in control & aggressive on the down days.

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